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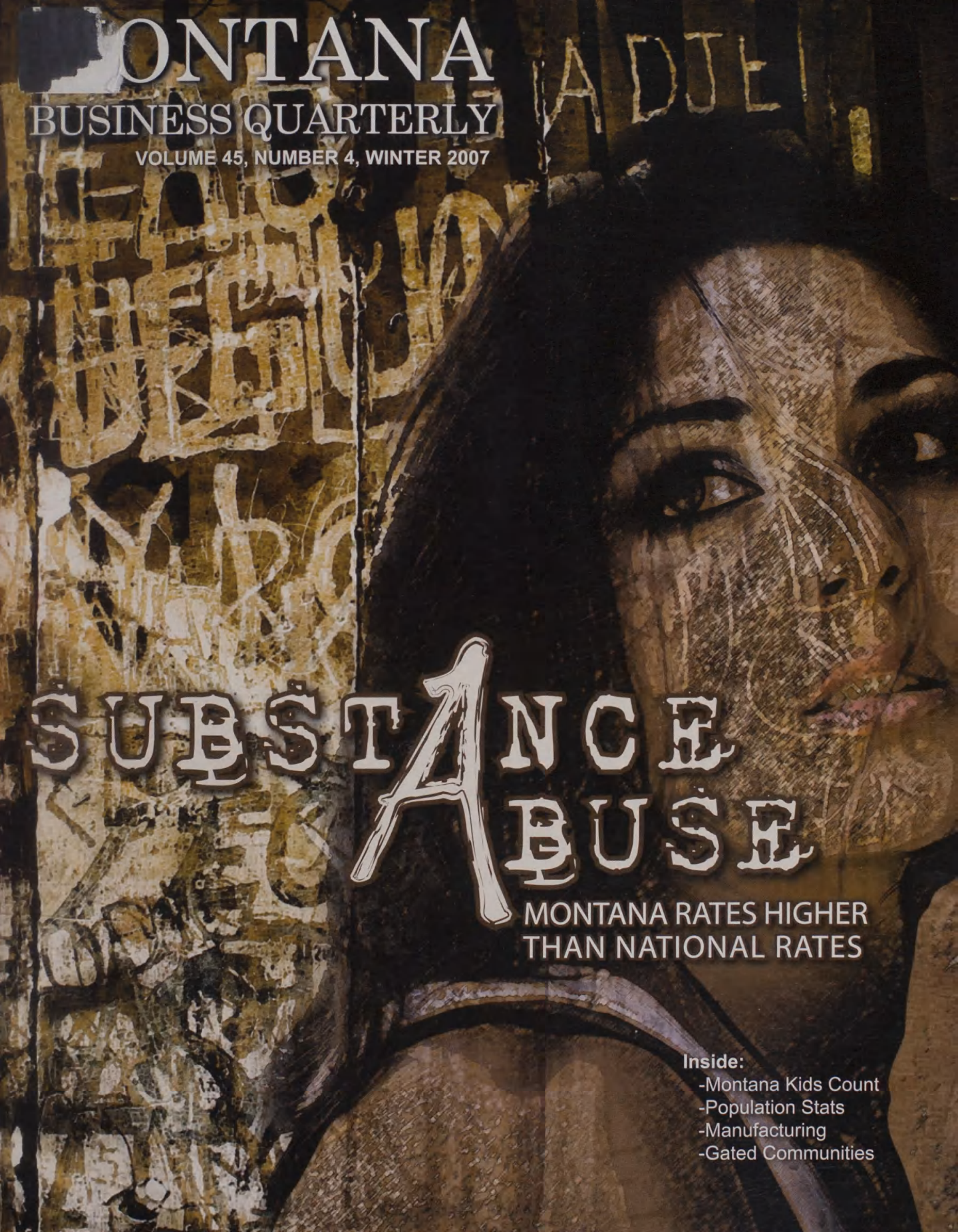

SUBSTANCE ABUSE

MONTANA RATES HIGHER THAN NATIONAL RATES

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MONTANA
Business Quarterly

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The Bureau is involved in a wide variety of activities, including economic analysis and forecasting; health care, forest products, and manufacturing industry research; and survey research. The latest information about these topics is published regularly in the Bureau's award-winning magazine, the *Montana Business Quarterly*, which is partially supported by Wells Fargo.

The Bureau's Economics Montana forecasting system provides public and private decision makers with reliable forecasts and analysis. These state and local area forecasts are the focus of the annual series of Economic Outlook Seminars, cosponsored by First Interstate Bank, the Bureau, and respective Chambers of Commerce in Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula.

The Montana Poll, a quarterly public opinion poll, questions Montanans about their views on a variety of economic and social issues. The Bureau also conducts contract survey research and offers a random-digit dialing program for survey organizations in need of random telephone samples.

The Health Care Industry Research Program examines markets, trends, industry structure, costs, and other high visibility topics in this important Montana industry.

Research on the forest products industry has long been an important part of Bureau operations. While emphasis is placed on Montana's industry, the cooperative research with the U.S. Forest Service involves most of the western states. A recently-formed research consortium including the Bureau, the Forest Products Department at the University of Idaho, and the Wood Materials and Engineering Laboratory at Washington State University addresses forest operations and utilization problems unique to the Inland Northwest.

The Bureau, in cooperation with Montana Business Connections, recently expanded the scope of its ongoing wood products manufacturing research to include all of Montana's manufacturing industries. Through this program, a comprehensive statewide electronic information system will be developed.

Bureau personnel continually respond to numerous requests for local, state, and national economic data. Don't hesitate to call on Bureau staff members if they can be of service to you.

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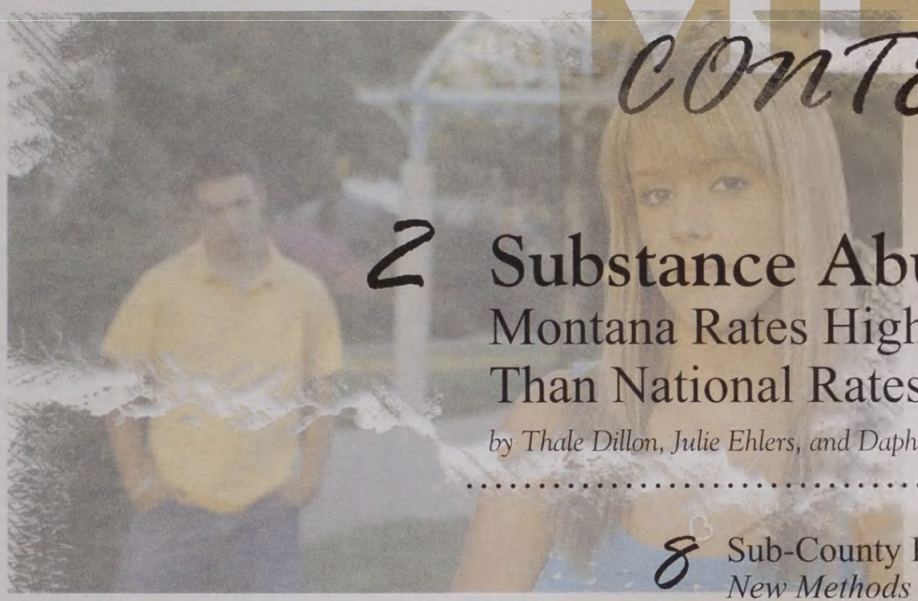

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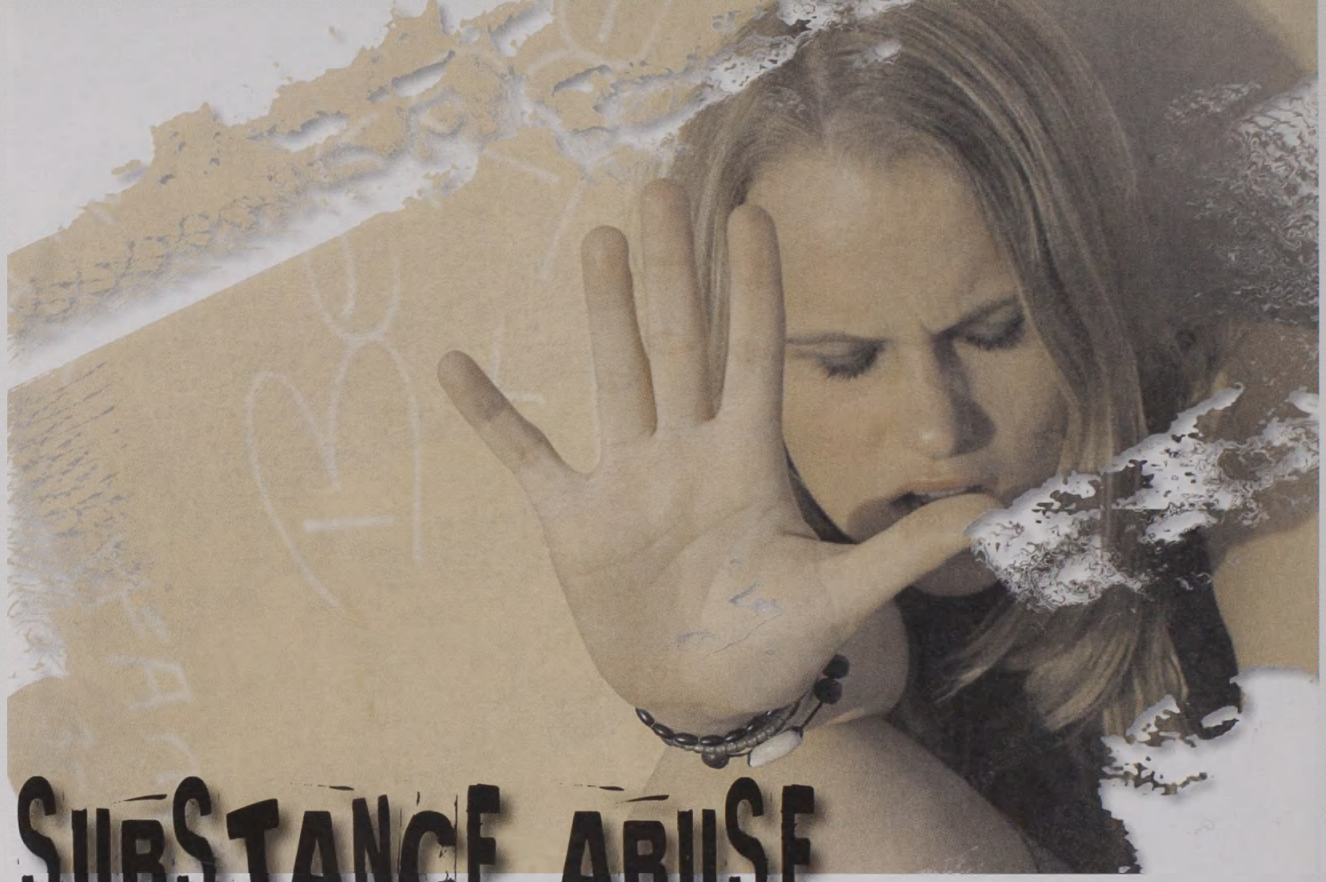


Substance Abuse

Montana Rates Higher than National Rates

by Thale Dillon, Julie Ehlers, and Daphne Herling

Montana's young people are drinking alcohol, drinking and driving, using illegal drugs, and smoking and chewing tobacco at rates above the rest of the nation. Those substance abuse behaviors continue to ripple through adult life and create significant negative consequences for Montana's population.

In all indicators reporting alcohol consumption, Montana's annual rate is higher than the national rate; the same holds true for illicit drug use (Table 1). One way to evaluate the impact of substance abuse is to look at consumption and its consequences.

Consumption Rates

Tobacco consumption indicators for Montana's young people smoking cigarettes show less dramatic differences between national and state rates. However, the use of smokeless tobacco among all 8th, 10th, and 12th graders is 7 percentage points higher than in the nation as a whole.

The two most prevalent substance abuse activities among Montana's youth are binge drinking and smoking marijuana. Binge drinking is defined as having five or more drinks on one occasion. Over 18,000 9th to 12th graders report binge drinking within the past 30 days, and more than 11,000 report smoking marijuana within the past 30 days. Almost 22,000 youth in Montana report using any drug at some point during their lives. Just under 5,000 high school seniors report using methamphetamine once or more during their lives. Uses of sedatives and prescription drugs are the next most prevalent, with 3,600 reporting that they used sedatives within the past 30 days.

Binge drinking in Montana is at its highest rates among high school youth. The behavior continues through the 20s and early 30s, tapering off after age 35. Montana also ranks among the worst in the nation in numbers of high school students drinking and driving; the rate is 20 percent in Montana compared to 12 percent nationally.

This substance abuse data was gathered as part of the Bureau's Montana Kids Count program. Each year Montana

Table 1
Consumption Patterns of Alcohol, Tobacco, and Illicit Drugs, Montana

Indicators	Annual Number of Persons in Montana	National Annual Rate	Montana Annual Rate
CONSUMPTION – ALCOHOL			
Adult binge drinking	134,520	17%	19%
Youth binge drinking in past 30 days			
% students - all races - binge drinking, grades 9-12	18,095	28%	38%
% students - American Indian - binge drinking, grades 9-12	2,103	28%	45%
Youth - all races - drinking in past 30 days, grades 8-12	25,211	32%	42%
Youth drinking & driving			
% students - all races - grades 9-12, rode in car driven by someone drinking, one or more times in past 30 days	17,619	30%	37%
% students - American Indian - grades 9-12, rode in car driven by someone drinking, one or more times in past 30 days	1,380	30%	46%
% students - all races - grades 9 -12, drove car when drinking, one or more times in past 30 days	9,524	12%	20%
% students - all races - grades 9 -12, had at least one drink of alcohol on school property in past 30 days	3,095	6.4%	6.5%
CONSUMPTION – TOBACCO			
Youth cigarette smoking			
% students - all races - smoked 10+ cigarettes on 20 or more of past 30 days, grades 9-12	4,762	13%	10%
% students - American Indian - smoked 10+ cigarettes on 20 or more of past 30 days, grades 9-12	350	13%	7%
Youth - all races - smoking lifetime, grades 8-12	26,412	na	44%
Youth - American Indian - smoking lifetime, grades 8-12	4,259	na	70%
Youth - all races - smokeless tobacco lifetime, grades 8-12	13,206	na	22%
Youth - American Indian - smokeless tobacco lifetime, grades 8-12	2,129	na	35%
Youth - all races - smokeless tobacco 30 days, grades 9 -12	7,143	7.6%	14%
ILLICIT DRUG USE – YOUTH			
Marijuana			
% students - all races - used marijuana one or more times in past 30 days, grades 9-12	11,429	24%	24%
% students - American Indian - used marijuana one or more times in past 30 days, grades 9-12	1,855	24%	37%
Meth & stimulants			
% students - all races - used meth one or more times during lifetime, grades 9-12	4,762	8%	10%
% students - American Indian - used meth one or more times during lifetime, grades 9-12	802	8%	17%
% students - all races - used stimulants in past 30 days, grades 8-12	1,561	na	2%
% students - American Indian - used stimulants in past 30 days, grades 8-12	304	na	4%
Opiates/Heroin			
% students - all races - used heroin one or more times during lifetime, grades 9-12	1,714	3%	3%
% students - American Indian - used heroin one or more times during their life, grades 9-12	213	3%	5%
Cocaine			
% students-all races- used cocaine in past 30 days, grades 9-12	1,905	4%	4%
% students-American Indian used cocaine in past 30 days, grades 9-12	359	4%	8%

Note: The Youth Risk Behavioral Surveillance Survey data on Urban and Reservation American Indian youth are presented where consumption patterns were significantly different. Methamphetamine and other amphetamines to include amphetamines, Benzedrine, Dexedrine, Precludine, Ritalin, and other amines and related drugs.
Sources: Youth Risk Behavioral Surveillance Survey, 2001/03/05; Prevention Needs Assessment, 2002/04/06; and Behavioral Risk Factor Surveillance System, 2001-2003.

Table 2
Consequences of Substance Abuse, Montana

Indicators	Annual Number of Persons in Montana	National Annual Rate	Montana Annual Rate
ALCOHOL-RELATED DEATH			
Alcohol-induced death - all races	76	7.1*	8*
Alcohol-induced death - American Indian	23	na	41*
Fatal alcohol-related motor vehicle crashes - all races	120	5.2*	12.6*
Fatal alcohol-related motor vehicle crashes - American Indian	31	na	55*
Injuries alcohol-related motor vehicle crashes	1,700	na	184*
TOBACCO-RELATED DEATH			
Tobacco contributing to death - all races	1,055	na	191*
Tobacco contributing to death - American Indian	75	na	134*
Percent of fetal deaths where mother smoked cigarettes during pregnancy - all races	49	na	20%
DRUG-RELATED DEATH			
Drug-induced deaths - all races	99	9.2*	10.8*
Drug-induced deaths - American Indian	10	na	18*
SUICIDE			
Intentional self poisonings with drugs - all races	20	na	2.2*
All suicides	183	10.8*	19.8*
SCHOOL-BASED PROBLEMS			
Suspensions past year - all races - grades 8, 10, 12	6,003	na	10%
Suspensions past year - American Indian - grades 8, 10, 12	1,338	na	22%
Drunk or high at school past year - all races - grades 8, 10, 12	12,606	na	21%
Drunk or high at school past year - American Indian - grades 8, 10, 12	2,129	na	35%

* Per 100,000 people

Sources: Montana Vital Statistics; Montana Department of Transportation; and Prevention Needs Assessment.

Kids Count seeks to inform policymakers, service providers, and all citizens on the progress made by Montana children and the problems still facing them. By using consistent and reliable data, the program reports on the demographic, socioeconomic, health, and education status of children.

Consequence Rates

Table 2 shows indicators on the consequences of substance abuse. This table is not limited to youth, as long-term consequences of behaviors established in early years often do not show up until later in life. However, school-based problems do directly report on youth consequences.

The most serious consequence of substance abuse is death, and Montana's rates of alcohol-related motor vehicle crashes are high. Table 3 shows alcohol-related crashes broken down by age. Although young people under 18 are dying in fatal alcohol-related crashes, the numbers increase for young adults, reaching the highest rates among 25- to 34-year olds. After that age, the rates decrease.

Binge drinking across a lifespan is a significant problem in

Table 3
Alcohol-Related Crashes by Age of Driver, Montana, 2006

Age	Licensed Drivers (FY 2006)	Drivers in Alcohol Crashes	Alcohol Crashes per 10,000 Licenses	Drivers in Fatal Alcohol Crashes	Fatal Alcohol Crashes per 10,000 Licenses
Under 18	23,768	121	51	3	1.3
18 - 20	35,628	370	104	16	4.5
Under 21	59,396	491	83	19	3.2
21 - 24	48,336	511	106	21	4.3
25 - 34	116,636	676	58	30	2.6
35 - 75+	499,608	1,174	157	52	4.0

Source: Montana Department of Transportation.

Montana. Even though there is more information available on consumption patterns among youth in the state, we cannot ignore the fact that adults are role models for the children whose behaviors we seek to change. Adults teach cultural and social norms, which establish or dissuade community acceptance of binge drinking, be it among adults or youth. Students and adults are binge drinking, then getting in cars and being injured or killed and injuring or killing others. Binge drinking and drinking and driving, particularly when they occur among youth, have significant negative consequences for Montana's population.

To address a problem, it is important to know who is consuming these substances, when and where they do it, and what happens when they do. Strategies to deal with substance abuse can then be more readily tailored to specifics – whether those specifics are geographic or demographic.

Demographics and Family Characteristics

Between 2000 and 2006, Montana's population increased by 4.6 percent, reaching 944,632 people. Continuing a trend of decline, the state's population of children under 18 saw further reduction in 2006. At 217,848, the number is down 4.6 percent from 2000. The decline is seen in the number of children between 5 and 17 years of age, totaling 159,932 in 2006. The number of children under 5 has actually increased since 2000, up 6 percent to 57,916 in 2006, though not enough to make up for declines in earlier age cohorts. The largest decrease has been in the number of children who are white (down 11.4 percent between 2000 and 2005), while Hispanic/Latino children are actually increasing in numbers, though still constituting only 3.4 percent of Montana's children. White and American Indians made up the largest groups of children in the state in 2005, at 170,093 and 20,725, respectively. The number of American Indian children is down 1.7 percent since 2000.

Social and Economic Status

Montana's economic expansion continues with four consecutive years of growth rates exceeding 4 percent and a low 3.2 percent unemployment rate in 2006. The teen unemployment rate, while always higher than the overall rate, reached a low 10.2 percent in 2006. Additionally, median household income and per capita income went up in the past year, reaching $40,627 and $30,688, respectively. Clearly, this is good news for Montana as a whole. However, the state's continued prosperity does not necessarily benefit our children. While poverty rates for Montana's children under 18 remain high, there was a slight decline in rates from 2005 to 2006, from 20 percent to 17 percent. Rates also decreased for the portion of children at 150 and 200 percent of the federal poverty level (FPL). However, the portion of Montana's children in extreme poverty (50 percent of FPL) is up following three stable years, reaching 8 percent of Montana's children in 2006. Table 4 shows 2007 poverty levels by size of household. It is cause for concern that more children are living in extreme poverty despite strong economic conditions in the state.

Table 4
2007 Federal Poverty Levels by Size of Household

PERSONS IN HOUSEHOLD	Poverty Income Thresholds
1	$10,210
2	13,690
3	17,170
4	20,650
5	24,130
6	27,610
7	31,090
8	34,570

Source: U.S. Department of Health and Human Services.

Health and Health Insurance

The portion of children in Montana who do not have health insurance went from 16 percent in 2000 to 14 percent in 2005, a promising development during times when health insurance coverage is increasingly becoming a luxury. However, for children living in poverty the trend is the opposite, going from 24 percent without coverage in 2000 to 29 percent in 2005 (down from 30 percent in 2004). The portion of all children under age 5 without health insurance coverage has remained largely stable around 16 percent since 2000, while coverage for children ages 6-18 has improved. The expansion of the Children's Health Insurance Program (CHIP) in the recent legislative session means potential progress for children's health insurance coverage in Montana. The Legislature provided additional funding and increased the eligibility level from its current 150 percent of the federal poverty level up to 175 percent. This expansion will result in coverage for an estimated 2,100 additional children. The legislative session also expanded CHIP's dental coverage for

children whose needs exceed the basic dental plan provided, giving expanded coverage and services for some 23 percent of children who require more dental care.

Education

The trend within Montana's school system has been declining enrollment since the 1995-96 academic year. Total K-12 school enrollment is down 6 percent since the 2000-01 academic year, totaling slightly over 157,000 students in the 2006-07 academic year. However, while public school enrollment is down 7 percent and private school enrollment is down 1 percent over that same period, home school enrollment is up 13 percent since the 2000-01 academic year. Changes since the 2005-06 academic year total less than a 1 percent decline for public school enrollment but show both private and home school enrollment to be on the rise, by 5 and 3 percent respectively. Public school pre-kindergarten enrollment has increased by 48 percent since the 2000-01 academic year. This is mostly a reflection of an increased public preschool offering, as well as a growing number of Montana children under age 5 (up 6 percent since 2000).

Right Start Data

The Right Start Data, compiled by the Annie E. Casey Foundation (www.aecf.org), seeks to inform on the conditions before and during a pregnancy, which can be strong indicators of infant and child outcomes. Overall, Montana compares well with other states in the conditions under which infants are born and ranks in the top third in five of the eight indicators (Table 5). Our state does better than other states in prenatal care, has fewer babies born to unmarried women and

Table 5
Eight Key Indicators from Right Start Data

	2000	2001	2002	2003	2004	Montana	U.S. Average	Montana's Rank out of 50 States
Percent of total births to teens	11.6	11.6	11.5	10.6	10.6	10.6	10.3	30
Percent of births to teens who were already mothers	16.3	16.2	17.4	18.3	19.4	19.4	19.8	33
Percent of total births to unmarried women	30.8	31.4	32.8	32.2	34.3	34.3	35.8	21
Percent of total births to mothers with less than 12 years of education	14.8	15.6	14.9	15.7	15.4	15.4	22.2	14
Percent of total births to mothers receiving late or no prenatal care	3.2	3.1	2.8	2.7	2.9	2.9	3.6	16
Percent of total births to mothers who smoked during pregnancy	17.9	18.3	19.1	19.0	18.8	18.8	10.2	37
Percent low- birthweight births (less than 5.8 lbs.)	6.2	6.9	6.8	6.8	7.6	7.6	8.1	18
Percent pre-term babies (less than 37 completed weeks of gestation)	10.7	11.0	11.3	11.1	11.6	11.6	12.5	15

Source: Annie E. Casey Foundation, Right Start (2004), www.aecf.org/kidscount.

mothers with fewer than 12 years of education, and has fewer low-birthweight and pre-term babies.

However, despite increasing awareness of the health risks of smoking, 18.8 percent of Montana mothers reported smoking during their pregnancy, ranking Montana 37th in the nation in this category. In addition to the health risks to the mother, smoking during pregnancies has been linked to such outcomes as premature birth and low birthweight. Montana also does not perform well in the other indicators used in the Right Start Data, ranking 30th in the nation for percent of total births to teens and 33rd for births to teens who are already mothers. While births to teens have decreased from 11.6 percent in 2000 to 10.6 percent in 2004, the numbers of births to teens who were already mothers has steadily increased from 16.3 percent in 2000 to 19.4 percent in 2004.

American Indian Data

Overall, there are many demographic differences within reservation counties; one with important ramifications is that children under 18 years old represent 38 percent of the American Indian community compared to 21 percent of the white population. Another difference is that the median age for American Indians is 28 years, compared to 40 years for all of Montana. The two primary reasons for this difference in median age are illustrated in the data: The American Indian birth rate is higher, and American Indians have a shorter life expectancy than non-Indian communities.

These American Indian health profiles were compiled with the assistance of tribal leaders in Montana and show many indicators for each tribe using data from reservation counties.

Higher birth rates, combined with an emphasis on extended family networks, result in increasing proportions of American Indian children on reservations. The increased number of children lowers the median age. Shorter life expectancy may be related to the fact that American Indians have the highest uninsured rates in Montana, and therefore have limited access to health care. The average age at death for this population is 60 years, as opposed to 78 for the entire state population.

However, shorter life expectancy is not related to a higher death rate. American Indians have a lower death rate than the population as a whole (6.5 versus 9.1 deaths per 1,000 population).

Economic status is another area of interest. The discrepancies between the two populations strongly influence the well-being of children. Not only does median household income differ greatly between the American Indian population and the overall populations, there are also major differences among the individual reservations. The same holds true for unemployment and poverty. However, when it comes to educational attainment – one predictor of income – it is similar across the reservations, indicating that the differences are caused by other factors.

Low income levels and high unemployment rates are both contributors to the high levels of poverty on reservations in Montana (31.3 percent, compared to 14.3 percent for all Montana residents). As is the case for the general population, poverty rates are higher for children under 18 than they are for any other age group. As a consequence, a much larger portion of American Indians (38.9 versus 9.5 for all Montana residents) is covered by Medicaid.

Much data that Montana Kids Count researches and highlights in the annual data book is not available at the reservation or tribal level or specifically broken out for American Indians. This is unfortunate but does not preclude intervening action. It is not necessary to know how much variation exists among the reservations in terms of poverty levels to know that the discrepancy between the American Indian population and the state population at large needs to be addressed. Likewise, it is not necessary to know how prenatal care levels vary within the American Indian population in order to recognize that this is an area that needs attention. American Indians constitute about 6 percent of Montana's population, while American Indian children make up close to 9 percent of the state's population under 18. Addressing these situations that influence American Indian children and their families so strongly will have implications for the well-being of all Montana residents.❑

Daphne Herling is director of community research for Montana Kids Count and BBER. Thale Dillon is a senior research analyst for Montana Kids Count and Julie Ehlers is the BBER marketing director.

SUB-COUNTY POPULATION ESTIMATES

New Methods Needed for Providing More Accurate Data

by James T. Sylvester

Editor's note: In an attempt to provide annual population data between the decennial censuses, the U.S. Census Bureau developed the American Community Survey, an ongoing statistical survey that replaces the traditional long form. The transition began in the mid-1990s and should be fully implemented by 2010.

Producing sub-county population estimates is challenging for a variety of reasons, and the Census Bureau is currently researching methods to provide more accurate data. As chairman of the Federal State Population Cooperative Program for Population Estimates, author Jim Sylvester has a leading role in this project.

When Great Falls city leaders saw the U.S. Census Bureau's latest population estimate for their city, they knew something wasn't right. The city had estimated the population at close to 59,000 while the Census Bureau estimated it much lower at a little over 56,000. The 0.8 percent population decline reported by the Census Bureau didn't make sense considering the home construction boom the residents were witnessing. So the city challenged the U.S. Census Bureau figures and found that the Great Falls city population had actually grown almost 3.3 percent, the biggest jump in population since the 1960s.

All over Montana, census population estimates are subject to similar error. Census data overestimated the city of Bozeman's growth by as much as 180 percent, for example, while Manhattan and Three Forks were underestimated by as much as 400 percent over a six-year period. During that same time frame, census data show a population decrease in all cities within Cascade County, when in fact the towns of Belt and Cascade may have grown by about 20 percent.

These inaccurate population estimates, along with others throughout the state, have significant implications for Montana. More than $300 billion per year is distributed to communities throughout the United States according to population size. Population data also influence policy decisions, as well as funding for programs and services such as school districts, low-income housing, highway improvements, and much more. Furthermore, businesses and retailers may be hesitant to locate in a community where census data show a decreasing population. Population figures are among the most widely used and closely monitored local economic indicators.

How is it that such important data can be so far off? For county populations, the Census Bureau compiles reliable data from multiple government entities to produce an accurate

population estimate for the entire county. Using the most recent census as the base population, births are added and deaths subtracted—both are reliably recorded at the county level using birth and death certificates. Migration into and out of the county is estimated by comparing addresses reported on federal income tax forms. Finally, the number of people in group quarters (such as prisons and dormitories) is reported by the appropriate entity. County estimates are then compiled to create an accurate estimate for the entire state.

But to estimate the population of sub-county areas—cities, towns, and the surrounding rural areas—the Census Bureau uses building permit data. The base population and number of housing units for each sub-county unit (city, town, or rural area) are taken from the Census of Population and Housing. Additions and subtractions to the housing stock are estimated using building permits and demolitions as recorded by local governments. Changes in the housing stock associated with new mobile homes are derived from shipment data reported by manufacturers.

In all but a few states, building permits are a reliable way to estimate population. But because building permits are not required statewide, this method produces significantly inaccurate population estimates for cities and towns in Montana.

While many Montana cities and towns require building permits, their requirements do not apply to the surrounding rural areas. This means that the populations of areas requiring permits (mostly cities and towns) may be overestimated relative to the areas where no permits are required (mostly rural areas). This is why the Census Bureau may have overestimated the city of Missoula's population growth by about three times its actual rate, while significantly underestimating surrounding areas such as Lolo and Frenchtown.

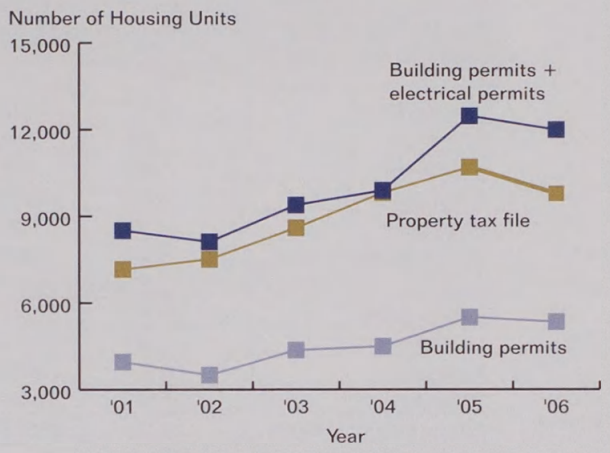
The Census Bureau also assumes no changes to an area's housing stock if there were no permits reported for that area. But, in many rural areas that don't require permits, this can be very misleading. The Census Bureau, for example, estimated that housing units in the town of Cascade decreased 0.3 percent over a six year period, when they may have actually increased by 26 percent.

Fortunately, Montana does have other statewide data that could be used to estimate sub-county population, and the Census Bureau is currently working to correct the problem.

First, while building permits are not required statewide, electrical permits are. Therefore, electrical permits could be substituted for building permits in the current method to produce more accurate estimates.

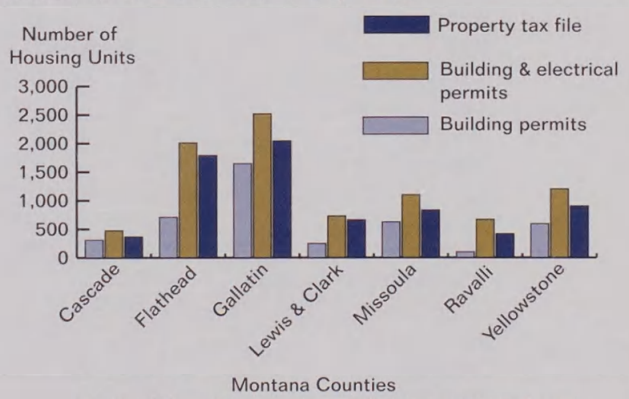
Second, Montana has a comprehensive property tax database that is available to the public. Using the records to determine when a housing unit was constructed, a time series of new construction can be derived and used to estimate population and residential construction.

Figure 1
Comparison of Montana Residential Building 2001-2006



Source: U.S. Census Bureau and Bureau of Business and Economic Research, The University of Montana.

Figure 2
Comparison of Residential Building, Selected Montana Counties, 2006



Source: U.S. Census Bureau and Bureau of Business and Economic Research, The University of Montana.

Figure 1 illustrates the differences between Census Bureau building permit data and alternative methods of measuring residential construction. Currently, additions to housing stock methods use building permits (light blue line). But, it is only about half the building as represented by the combined electrical and building permits (dark blue). The combined number closely tracks the building represented by the property tax file (tan).

The larger counties of Montana, shown in Figure 2, account for most of the residential construction currently occurring in Montana. Building permit data account for about half of the activity in Cascade, Gallatin, Missoula, and

Table 1
Housing Units, Selected Montana Counties, 2000 and 2006

Counties	2000	2006 (Census Estimate)	Percent Change (2000-2006)	2006 (Alternate Estimate)	Percent Change (2000-2006)
Cascade County	35,225	35,932	2.0%	35,724	1.4%
Belt city	295	291	-1.4%	363	23.0%
Cascade town	349	348	-0.3%	438	25.6%
Great Falls city	25,252	25,901	2.6%	25,433	0.7%
Neihart town	164	163	-0.6%	170	3.9%
Balance of Cascade County	9,165	9,229	0.7%	9,319	1.7%
Flathead County	34,773	37,311	7.3%	41,157	18.4%
Columbia Falls city	1,473	1,771	20.2%	2,087	41.7%
Kalispell city	6,906	8,428	22.0%	10,360	50.0%
Whitefish city	2,930	3,745	27.8%	3,596	22.7%
Balance of Flathead County	23,464	23,366	-0.4%	25,113	7.0%
Gallatin County	29,489	35,680	21.0%	33,340	13.1%
Belgrade city	2,277	2,890	26.9%	3,934	72.8%
Bozeman city	11,664	15,218	30.5%	12,785	9.6%
Manhattan town	582	626	7.6%	705	21.2%
Three Forks city	726	780	7.4%	913	25.7%
West Yellowstone town	806	851	5.6%	929	15.3%
Balance of Gallatin County	13,434	15,314	14.0%	14,074	4.8%
Lewis and Clark County	25,672	26,349	2.6%	27,460	7.0%
East Helena town	733	881	20.2%	904	23.4%
Helena city	12,164	12,652	4.0%	13,765	13.2%
Balance of Lewis and Clark County	12,775	12,816	0.3%	12,791	0.1%
Missoula County	41,319	44,834	8.5%	43,204	4.6%
Missoula city	25,242	28,815	14.2%	25,960	2.8%
Balance of Missoula County	16,077	16,019	-0.4%	17,244	7.3%
Ravalli County	15,946	16,435	3.1%	18,434	15.6%
Darby town	316	346	9.5%	477	51.0%
Hamilton city	1,921	2,213	15.2%	2,601	35.4%
Pinesdale town	151	153	1.3%	151	0.1%
Stevensville town	711	806	13.4%	1,365	91.9%
Balance of Ravalli County	12,847	12,917	0.5%	13,841	7.7%
Yellowstone County	54,563	58,206	6.7%	56,099	2.8%
Billings city	39,943	43,502	8.9%	40,513	1.4%
Broadview town	66	66	0.0%	85	28.2%
Laurel city	2,647	2,703	2.1%	3,138	18.5%
Balance of Yellowstone County	11,907	11,935	0.2%	12,364	3.8%

Source: U.S. Census Bureau and Bureau of Business and Economic Research, The University of Montana.

Yellowstone counties. The biggest differences are evident in Flathead and Ravalli counties where only a small fraction of activity is measured by building permits.

Table 1 shows a parallel set of housing unit estimates compared to Census Bureau estimates. These adjusted estimates use building permit and electrical permit data for additions to the housing stock. The effect of using the adjusted housing units puts more of the growth outside cities and towns, reflecting what is actually happening in these counties.

Table 2
Population, Selected Montana Counties, 2000 and 2006

Counties	2000	2006 (Census Estimate)	Percent Change (2000-2006)	2006 (Alternate Estimate)	Percent Change (2000-2006)
Cascade County	80,357	79,385	-1.2%	79,385	-1.2%
Belt city	633	603	-4.7%	757	19.6%
Cascade town	819	789	-3.7%	1,000	22.1%
Great Falls city	56,698	56,215	-0.9%	56,215	-0.9%
Neihart town	91	88	-3.3%	92	1.0%
Balance of Cascade County	22,116	21,690	-1.9%	22,015	-0.5%
Flathead County	74,471	85,314	14.6%	85,314	14.6%
Columbia Falls city	3,656	4,676	27.9%	4,980	36.2%
Kalispell city	15,009	19,432	29.5%	21,544	43.5%
Whitefish city	5,675	7,723	36.1%	6,729	18.6%
Balance of Flathead County	50,131	53,483	6.7%	52,027	3.8%
Gallatin County	67,831	80,921	19.3%	80,921	19.3%
Belgrade city	5,812	7,323	26.0%	10,661	83.4%
Bozeman city	27,711	35,061	26.5%	31,821	14.8%
Manhattan town	1,396	1,492	6.9%	1,799	28.9%
Three Forks city	1,728	1,845	6.8%	2,308	33.6%
West Yellowstone town	1,177	1,232	4.7%	1,429	21.4%
Balance of Gallatin County	30,007	33,968	13.2%	33,415	11.4%
Lewis and Clark County	55,716	59,302	6.4%	59,302	6.4%
East Helena town	1,656	2,068	24.9%	2,036	22.9%
Helena city	25,891	27,885	7.7%	29,053	12.2%
Balance of Lewis and Clark County	28,169	29,349	4.2%	28,103	-0.2%
Missoula County	95,802	101,417	5.9%	101,417	5.9%
Missoula city	57,275	64,081	11.9%	59,616	4.1%
Balance of Missoula County	38,527	37,336	-3.1%	41,913	8.8%
Ravalli County	36,070	40,582	12.5%	40,582	12.5%
Darby town	710	854	20.3%	1,045	47.2%
Hamilton city	3,724	4,644	24.7%	4,837	29.9%
Pinesdale town	756	841	11.2%	738	-2.4%
Stevensville town	1,553	1,914	23.2%	2,844	83.1%
Balance of Ravalli County	29,327	32,329	10.2%	30,792	5.0%
Yellowstone County	129,352	138,213	6.9%	138,213	6.9%
Billings city	91,693	100,148	9.2%	96,645	5.4%
Broadview town	150	150	0.0%	200	33.4%
Laurel city	6,256	6,421	2.6%	7,700	23.1%
Balance of Yellowstone County	31,253	31,494	0.8%	33,763	8.0%

Source: U.S. Census Bureau and Bureau of Business and Economic Research, The University of Montana.

Similarly, Table 2 shows a parallel set of population estimates. Gallatin County is the fastest growing county in Montana. The effect on sub-county estimates shows increases in all parts of the county, not just Bozeman and Belgrade. Also noteworthy is that population growth in Ravalli County is shifted north to Stevensville using the adjusted data.

The effects of the adjusted estimates are lessened in Flathead County sub-population estimates because of the high vacancy rate for much of Flathead County due to the seasonal nature of some of the new housing. The vacancy

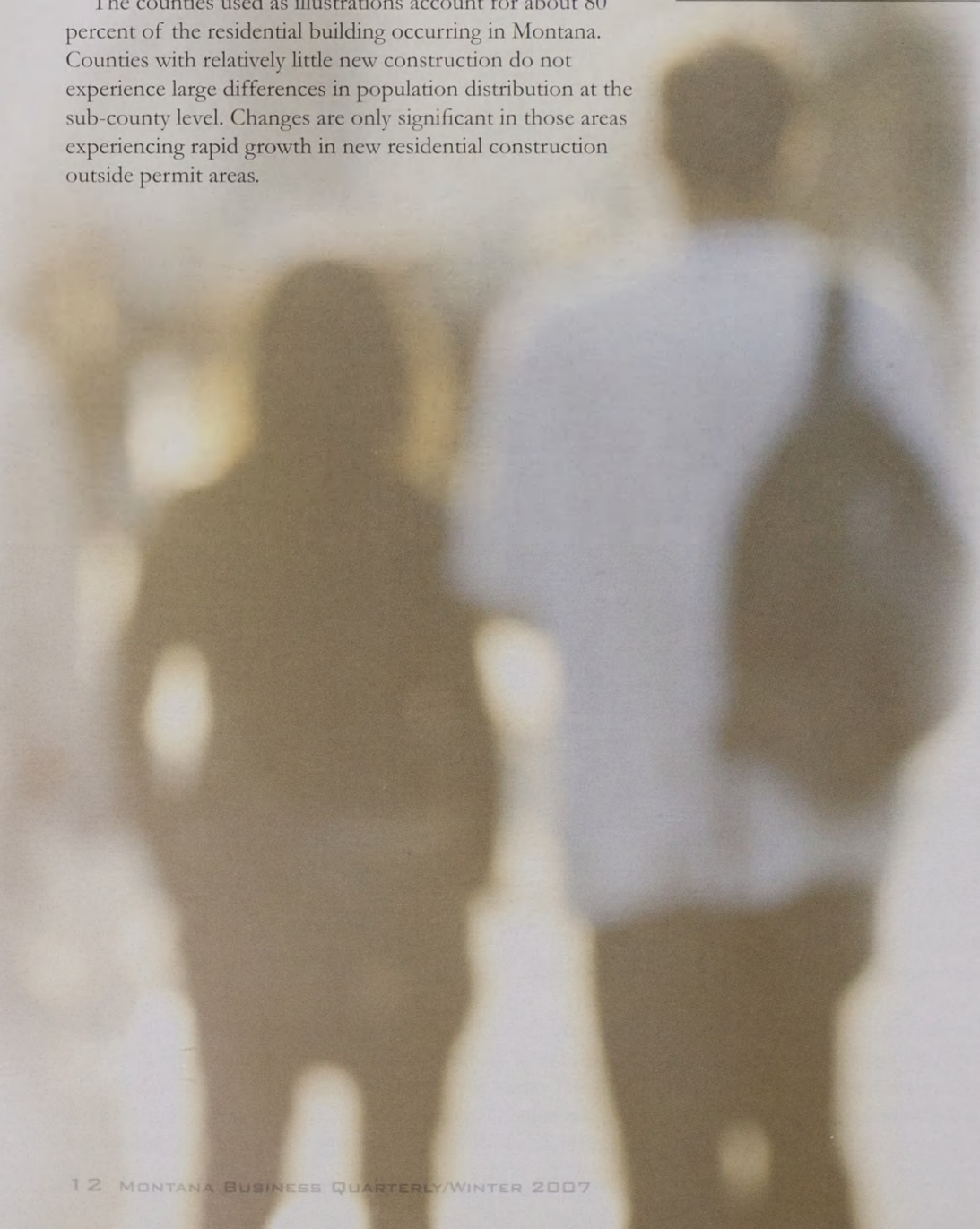
rate from the 2000 Census was about 18 percent in Whitefish and the areas outside cities and towns.

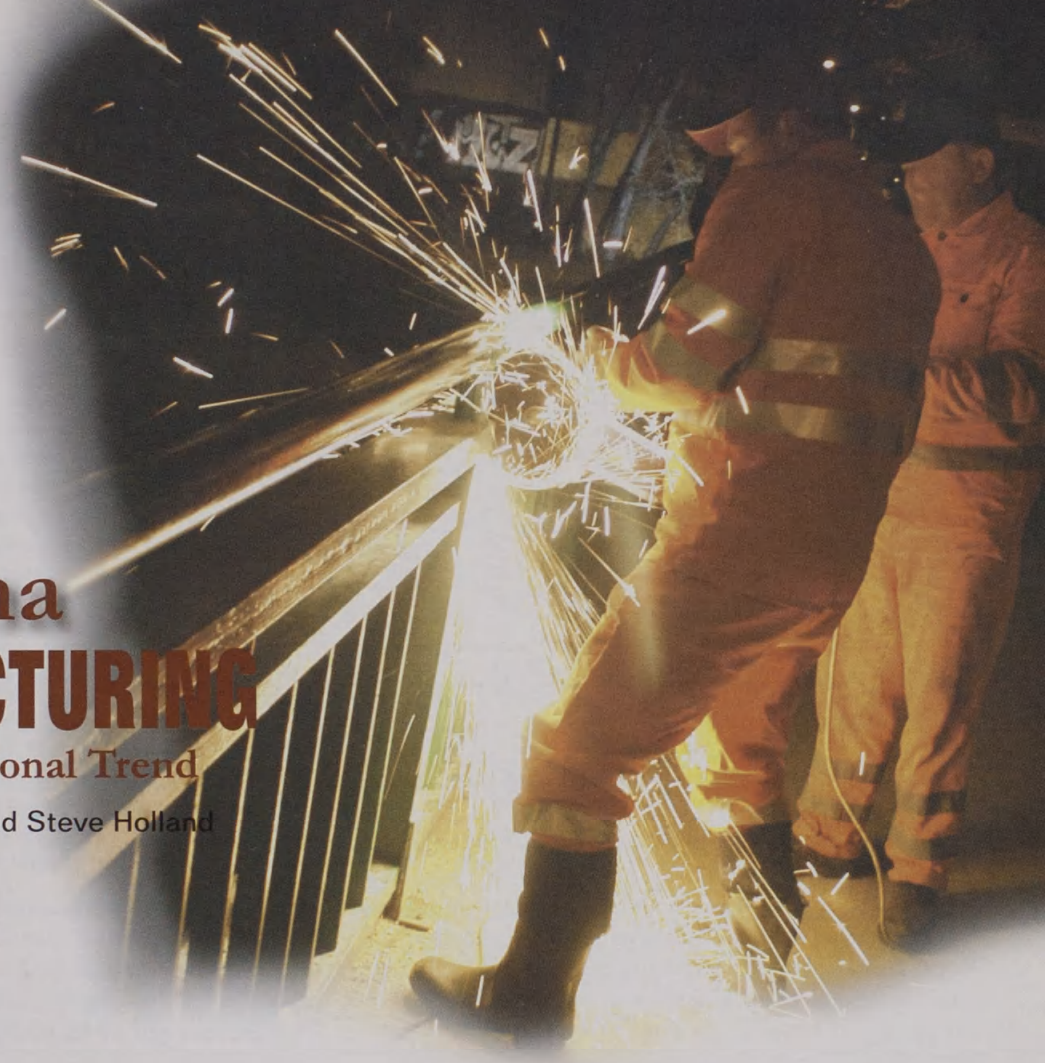
Using the adjusted building data, the rural areas in Missoula County show positive growth, while unadjusted permit data show negative growth. The published Census Bureau population estimate has Missoula City growing about 12 percent and the balance of the county declining about 3 percent between 2000 and 2006. Missoula City grew about 4 percent, and the rural areas grew about 9 percent over the period using the adjusted housing unit data. Lewis and Clark County and Yellowstone County showed a pattern very similar to Missoula County.

The counties used as illustrations account for about 80 percent of the residential building occurring in Montana. Counties with relatively little new construction do not experience large differences in population distribution at the sub-county level. Changes are only significant in those areas experiencing rapid growth in new residential construction outside permit areas.

Published Census Bureau estimates for cities and towns must be viewed with some skepticism. The current methodology used to produce these estimates does not work for Montana. Alternate methodology using electrical permits or property tax information produces significantly different population and housing unit estimates. As the Census Bureau works to correct the challenges to current methodology, these discrepancies could have major implications for Montana policy and funding.❑

James T. Sylvester is an economist at The University of Montana Bureau of Business and Economic Research.





Montana MANUFACTURING

Bucking the National Trend

by Patrick M. Barkey and Steve Holland

Manufacturing in the United States in recent years has become a tale of decline and loss. "Americans don't make anything anymore," it's been said, as the economy has shifted away from producing cars and textiles toward producing services.

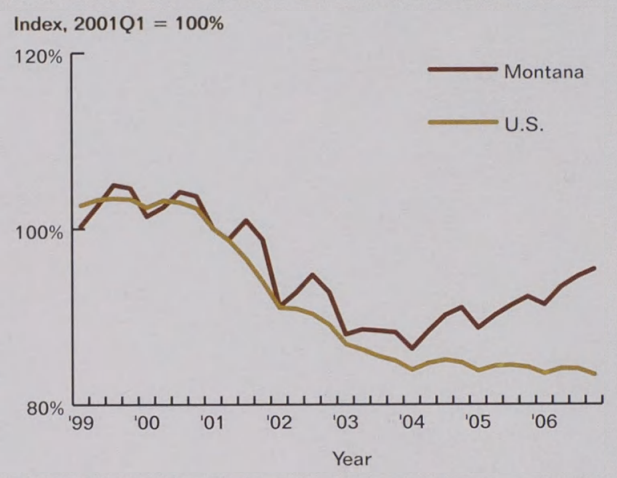
But Montana tells a different story. Since 2004, the state's manufacturing payrolls have gone up as national employment numbers in the same arena have stumbled. Montana's three top manufacturing industries – fabricated metals, machinery, and electrical equipment manufacturing – have seen employment rise by 40 percent. And the manufacturing payroll in the state in 2005 was a whopping $1.1 billion, even though most of the businesses are small.

Montana and the U.S. manufacturing economies parted ways strikingly beginning around the start of 2004, according to data gathered by the Montana Department of Labor and Industry, as part of the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW) program (Figure 1).

As the figure shows, factory employment levels were stagnant well before the recession of 2001 officially got underway, both in Montana and in the nation. Both areas saw painful setbacks unfolding throughout the 2001-03 period as the manufacturing recession took hold.

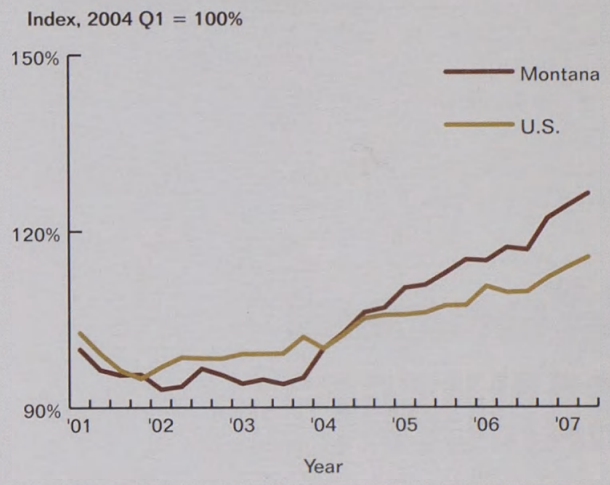
But after tumbling almost 20 percent from its pre-recession levels, Montana manufacturing employment has experienced steady gains since the end of 2003. In the first quarter of 2007, the most recent QCEW data available, the state's factory payroll employment stood at 20,382 jobs, which is 95 percent of the employment level of six years before. But since 2004, U.S. manufacturing payrolls have continued to stagnate, slipping to just 83 percent of 2001 first-quarter levels at the onset of 2007.

Figure 1
Manufacturing Employment, Montana and United States
Index, 2001 Q1 = 100



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Figure 2
Manufacturing Earnings, Montana and United States
Index, 2004 Q1 = 100



Source: U.S. Bureau of Economic Analysis.

The turnaround in state manufacturing activity began a half year before the employment rebound got underway. Figure 2 shows that manufacturing earnings – which reflect hours worked as well as employment levels – began to rise significantly in Montana at the midpoint of 2003. The figure shows that the above-average growth in the state's manufacturing activity continued through the second quarter of 2007.

That has certainly been good news for the communities around the state whose prosperity is closely connected to their manufacturing employers. Yet the different growth trajectories for manufacturing here, and nationwide, also remind us that Montana manufacturing is distinctly different from elsewhere. Understanding those differences is key to any predictions we might make of our state's future performance.

A Closer Look at Recent Growth

Manufacturing industries have a smaller footprint in the state than the national average. The 20,382 workers on manufacturing payrolls in the first quarter of 2007 represented about 4.8 percent of all payroll workers (Table 1). In the national economy, even after years of decline following the 2001 recession, manufacturing's employment share still stands at 10.4 percent. But the table makes it clear that in terms of growth, especially since the beginning of 2004, the shoe is on the other foot.

Since 2004, manufacturers in Montana have added almost 1,800 jobs, a 9.6 percent expansion. That contrasts with a 2.0 percent decline in employment experienced nationally over the same period. Of the 18 major industries within manufacturing shown in the table, 13 experienced employment declines in the national economy since 2004, while Montana saw employment gains in all but three.

More than half of Montana's manufacturing job growth came from just three major industries: fabricated metals, machinery, and electrical equipment manufacturing. Taken together, those three industries enjoyed a 40 percent increase in employment in Montana. The state's largest employing manufacturing industry, wood products, managed only a 0.9 percent job increase since 2004, yet even this small growth was better than the 2.5 percent employment decline suffered for the same industry nationally.

Growth Around the State

When examined at the county level, the performance of Montana's manufacturing economy as measured by job growth is more mixed. Nine of the state's 34 counties with manufacturing employment have seen job declines in the manufacturing sector since 2004, as shown in Figure 3. The largest job decrease came in Missoula County, owed largely to declines in the number of wood products employers there. On the other side of the equation, job gains in just two counties – Flathead and Gallatin – accounted for more than three of every four net new jobs created in manufacturing statewide over the last three years. Manufacturing job growth was strong in some fast-growing counties – such as Lewis and Clark and Yellowstone Counties – but weak in other overall growth leaders, such as Richland County.

Table 1
Montana Manufacturing Employment Since 2004 Q1

NAICS	Industry	2007 Q1 Employment	Growth	Montana % Growth	U.S. % Growth
10	Total, all industries	423,995	36,805	9.5	5.2
31-33	All manufacturing	20,382	1,790	9.6	-2.0
311	Food manufacturing	2,504	66	2.7	-1.6
312	Beverage and tobacco product manufacturing	652	-112	-14.7	0.0
314	Textile product mills	193	7	3.8	-9.6
316	Leather and allied product manufacturing	61	-13	-17.3	-19.0
321	Wood product manufacturing	4,695	43	0.9	-2.5
323	Printing and related support activities	1,187	175	17.3	-5.4
324	Petroleum and coal products manufacturing	957	71	8.0	2.4
325	Chemical manufacturing	794	105	15.2	-3.2
326	Plastics and rubber products manufacturing	295	103	53.4	-5.3
327	Nonmetallic mineral product manufacturing	940	63	7.2	2.5
331	Primary metal manufacturing	457	153	50.3	-0.5
332	Fabricated metal product manufacturing	1,586	326	25.8	5.7
333	Machinery manufacturing	1,494	423	39.5	4.9
334	Computer and electronic product manufacturing	530	23	4.5	-1.5
335	Electrical equipment and appliance mfg.	303	222	275.2	-3.4
336	Transportation equipment manufacturing	573	81	16.5	-1.4
337	Furniture and related product manufacturing	958	-26	-2.6	-5.2
339	Miscellaneous manufacturing	1,564	159	11.3	-1.7

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Employment Growth Only Part of the Story

Measuring manufacturing activity in Montana is not as simple as it looks. QCEW data find about 1,380 manufacturing establishments with payroll employees in the state in 2006. Yet other sources of data – which consider other types of business organizations – put the number of manufacturing businesses considerably higher. The Census Bureau estimated that in 2005 there were 1,787 manufacturing businesses in Montana that had no paid employees. Recent survey work conducted by the Bureau of Business and Economic Research and the Montana Manufacturing Extension suggests that the number of manufacturing businesses in the state is approximately 3,100.

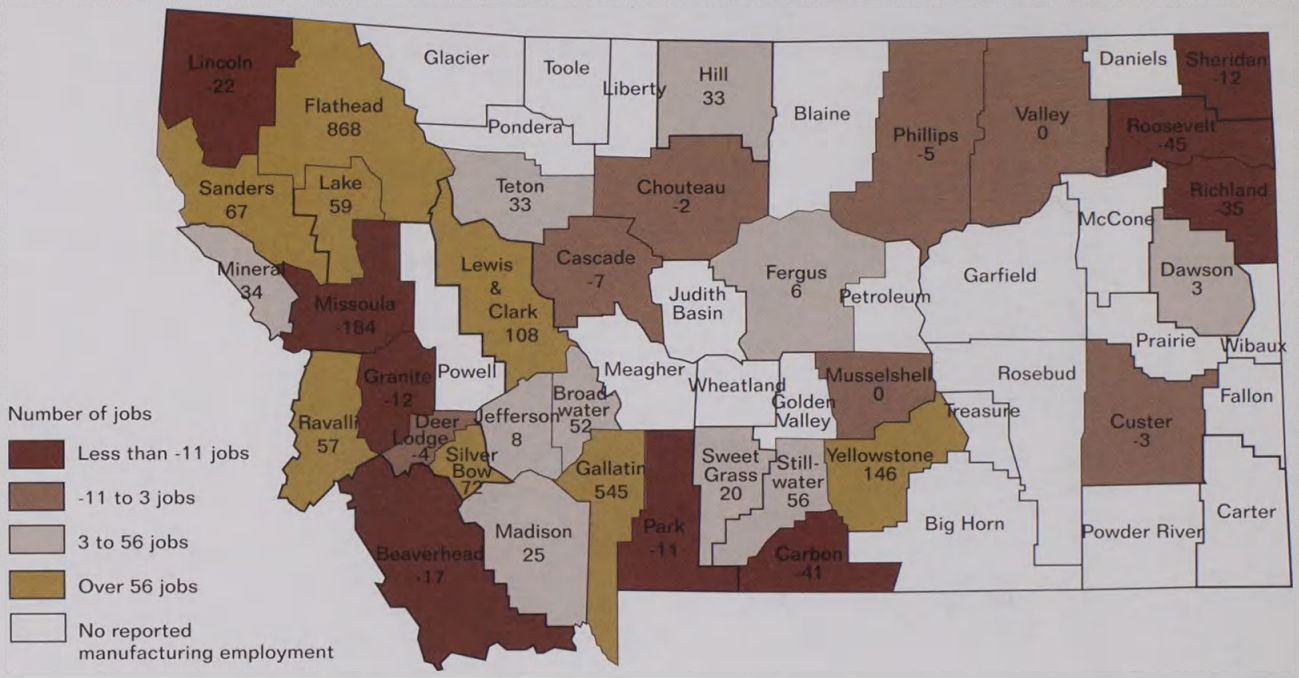
Montana's manufacturing base is dominated by small employers, yet its contribution to the state economy is significant. Three out of every four Montana manufacturing companies have 10 or fewer employees, and half have fewer than five workers. Yet state manufacturers collectively produced goods worth about $8 billion in 2005. Workers on manufacturing payrolls were paid $760 million in wages and salaries in 2006, or $37,694 per worker. That was considerably more than the $30,243 paid to workers on payrolls in 2006 outside manufacturing.

When considering compensation besides wages and salaries – principally income earned by proprietors and the self-employed – the difference between income per job in manufacturing and in the rest of the economy is even more dramatic. Data from the Bureau of Economic Analysis for 2005 put manufacturing compensation in Montana at about $1.1 billion, or $48,428 per employee, compared to $32,274 paid to the average employee in Montana for the same year.

Trends in Industry Concentration

The news that Montana's manufacturing sector has been performing significantly above the national average, during a span of time when the wood products industry has done its best to tread water, motivates a basic question: In what manufacturing industries has Montana's presence been

Figure 3
Manufacturing Job Growth Since 2004, Montana



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

growing? The issue can be addressed using a longer span of data and a useful measure of industry concentration based on employment shares known as the location quotient.

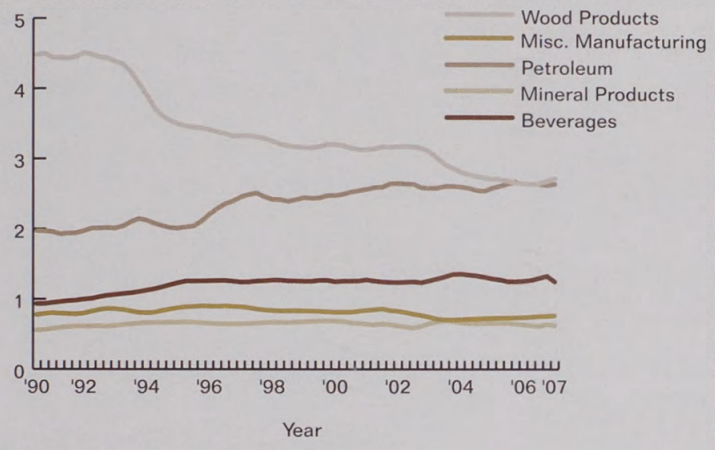
The location quotient, or LQ, is the ratio of local employment share to national employment share for any given industry. An LQ of 1 means that a particular industry has exactly the same presence locally as it does in the national economy – while LQs greater than 1 indicate greater concentration.

Given the relatively small size of manufacturing overall in the Montana economy, only a handful of manufacturing industries show up in the latter category. As can be seen from the location quotients for five selected manufacturing industries with the highest LQ's in Montana shown in Figure 4, not all manufacturing industries with the largest footprints here are moving in the same direction.

Employment shares in wood products manufacturers have fallen for most of the last seventeen years, from a high of 4.5 times the national share in the early 1990s down to about 2.6 in the first quarter of 2007. That is almost identical to the LQ for petroleum and coal manufacturing in Montana. But for the extraction industries, the trend in employment concentration here is upward. The only other major manufacturing sectors with some concentration in Montana are the beverages and tobacco products industries, which have seen their employment shares grow steadily to 1.25 times the national share.

Perhaps the biggest story in the data on concentration in Montana's manufacturing industries is that it really isn't there. The five industries shown in Figure 4 with the largest employment shares relative to the nation only account for 43 percent of total manufacturing employment. The rest of the job total is accounted for by industries like food products, metals, and printing, where the state's presence in the national economy is significantly smaller than average.

Figure 4
Trends in Montana Employment Concentrations
Location Quotients, Montana vs. United States
1990-2007



Note: A location quotient equals 1 when the local employment share equals the national share.

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages and authors' compilations.

Explanations for Recent Job Growth

The reasons for the rebound in employment among Montana manufacturers since 2004 are undoubtedly as varied as the companies themselves. But the improved climate for manufactured exports in recent years figures prominently in the story of success for many.

Montana's manufacturing exports have increased more than 280 percent since 2003, to about $780 million. That represents nearly 10 percent of the value of all goods produced here. By comparison, about 6.5 percent of manufacturing goods produced nationally are shipped abroad. To our immediate north lies our largest trading partner. Half of all Montana manufactured product exports go to Canada, dwarfing the 10 percent shares of the next two largest destination countries, Japan, and Germany.

Increases in exports have been a big story for manufacturing in the nation as a whole, of course, due to the large cumulative slide in the dollar's value against other major currencies, as well as the strength of economies abroad.

The outstanding performance of Montana's manufacturing economy has flown below the radar screen for many of us. The strong job gains experienced here since 2004 have gone a long way to recoup the losses experienced during the tech bust and the last recession and have provided a big spark to many communities around the state.❑

Patrick M. Barkey is the BBER director of health care industry research. Steve Holland is director of the Montana Manufacturing Extension Center at Montana State University.

Gated COMMUNITIES

Gaining Popularity Across Montana

by Amy Joyner

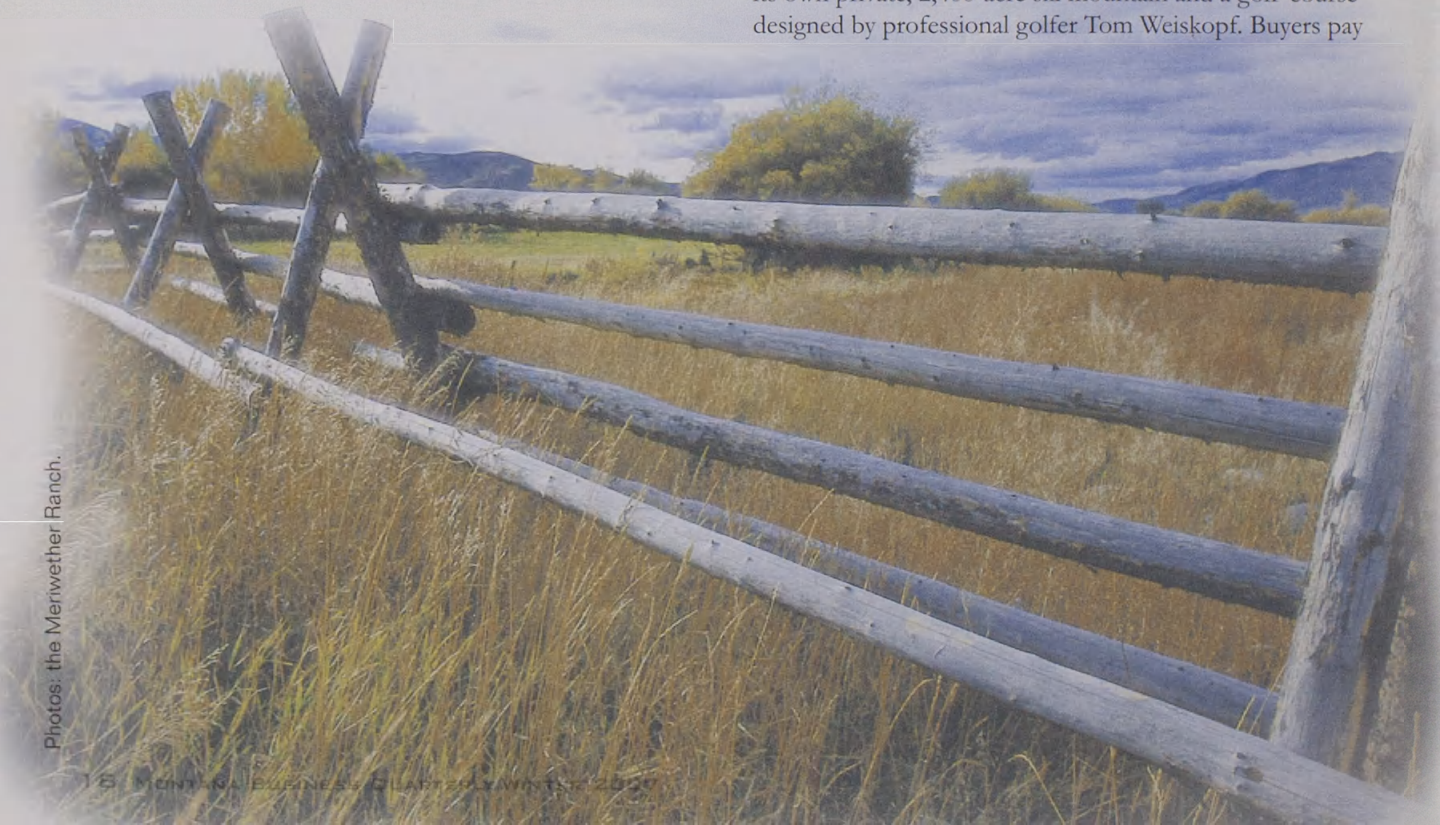
In 1990, only 276 houses in Montana were worth $300,000 or more. But by 2000, that figure had climbed to 4,735, according to the U.S. Census Bureau. And that was the year the Census Bureau added a new category of homes in Montana – those costing $1 million or more, which exceeded the total number of $300,000-plus houses in 1990 by 48.

Along with the million-dollar homes, retirement/recreation/wilderness clubs within gated communities are popping up all over the state. Nationwide, roughly 6 percent of homes are in developments behind walls and fences, and about 4 million of those households are in communities with access controlled by keyed gates or security guards. Predominately out-of-state investment has brought this trend to Montana, offering members privacy, recreation, and luxury across Montana.

Lavish Living in the Big Sky Country

Perhaps those that have enjoyed, or dreaded, the most media coverage are the Yellowstone Club in Big Sky and the Stock Farm outside Hamilton in the Bitterroot Valley. They boast completely different amenities for their residents, yet they both serve as noteworthy precursors to those communities that are still to come.

With members such as former Vice President Dan Quayle and golf pro Annika Sorenstam, the Yellowstone Club has its own private, 2,400-acre ski mountain and a golf course designed by professional golfer Tom Weiskopf. Buyers pay



Photos: the Meriwether Ranch.

an initiation fee of $250,000 and annual membership dues of $16,000. That's on top of the $3 million dollars of net worth potential buyers reportedly must prove before they can break ground on a building lot costing between $600,000 and many millions of dollars.

And that price tag is just for the land. Homes and condominiums built behind the gates are each worth several million dollars more.

Four hours away, outside Hamilton in the Bitterroot Valley, The Stock Farm was partially founded by financial magnate Charles Schwab. The initiation fee for this gated community is $125,000, and homes here also carry a pricetag of several million dollars. At $5,580 per year, annual dues are a bargain compared to those of The Yellowstone Club. There's no ski mountain, but a golf course designed by professional golfer Tom Fazio, common horse barn, riding arena, and trails all lie behind the gate.

Fresh Sales Approach Used Along Big Hole River

Thirty miles south of Butte, between those notable Big Sky and Bitterroot developments, is Meriwether Ranch in Melrose. With two channels of the Big Hole River running directly through this 724-acre southwestern Montana development, Meriwether offers outdoor adventure and an environmentally friendly approach to luxury.

Ninety-four percent of the Meriwether land is protected by a conservation easement. The Meriwether home sites and other buildings occupy only about 40 acres of the 724 total.

Meriwether aims to serve as the nation's first private residence club for the outdoorsman, said Mac MacEwan, vice president of marketing for Star Resort Group, which specializes in sales and management for Meriwether Ranch and other such fractional-ownership clubs. "We're positioned for the lifestyle, but out of the norm for private residence clubs."

Meriwether Ranch includes private residences and paired homes with a shared wall and two master suites. Seventeen custom-home sites sit along the river or a channel of it, and the wide open space is gated, with key codes for private property owners. With their purchase, homeowners also receive access to horses and local hunting and fishing guides. Plus, when owners arrive, a fully equipped, late-model SUV is waiting in the garage.

But the big appeal, said MacEwan, is a private residence club for the great outdoorsman, something owner David Ellingson, a Nebraska developer, insisted on.

Ellingson made sure the property included a lodge, private dining room, reception room, pool, spa, and

equestrian center when the idea was launched in 1992. Ellingson, also the primary owner of Canyon Creek Ranch, a guest ranch property nearby, finalized his purchase of Meriwether in 2001, and his son now lives onsite to manage the ranch.

Locals and conservation groups have been concerned about the impact on the Deer Lodge National Forest nearby, and of course on the Big Hole River. But, MacEwan said, the river system will be protected. In addition, "All the infrastructure is in, wells for homes, minimal gravel roads, minimal landscaping. We left in or returned to the natural landscape," MacEwan said.

Furthermore, the homes themselves blend with the natural landscape rather than stand out from it, Ellingson said.
Ellingson also runs an agricultural operation on the land. "We used a naturalist and hydrologist to make sure we were doing everything in the appropriate fashion." This included pulling their cattle away from the river, he said.
His next step is to work more in-depth with conservation groups, "to ensure our work is preserved in perpetuity," Ellingson said. "I do feel somewhat like a Montanan. I enjoy the people and I enjoy the state."

While Meriwether's creators have tried to have a minimal environmental impact, MacEwan pointed out, there has been a positive economic impact on the community from increased airport usage and work for guides.

Despite Meriwhether's efforts, MacEwan said some skeptical sentiments remain. "There's a certain segment that doesn't want this in their back yard."

A Stone Wall and Gate

At the foot of the Salish Mountains, three miles north of Polson and two miles from Flathead Lake, Stone Wall Estates is one of the latest gated communities added to the Flathead's realty listings.

Now deeded as ½- to 1-acre single-family homesites, Stone Wall serves as yet another example of how agricultural land use is no longer profitable to small operators. When complete, 48 homesites priced at a minimum of $110,000 each will constitute this community sitting atop former farmland. To preserve the "country" setting, 50 percent of the development's land remains open space in its natural state.

Much of the development work on the land was done by Stone Wall co-owner Lonnie Haack, who farmed with his father until the elder Haack passed away. The family farmed the land for roughly 40 years.

Remaining onsite allowed Haack to have influence over the land and dictate how the subdivision would look, he said. "Farm prices don't pay the bills – you have to do something else. The rock wall and all other rocks came off the 80 acres. I picked them and put them to use. … When you are a farmer, you learn to do everything." Haack also constructed the ironwork on the entrance gate and the arched bridges throughout the community. Behind the stone wall, Haack feels he presents a unique design. "We have approximately three to four rows of houses with 20 feet of elevation between each row. Nobody is going to be in your line of view — a panoramic view of the lake and the Mission Mountains."

Many more private residence clubs than those mentioned in this article are operating in Montana. An Internet search can tell you more. For specific information on included properties, visit these Web sites:

www.meriwetherranch.com
www.ridgeaboverockcreek.com
www.stockfarm.com
www.stonewall-estates.com
www.theyellowstoneclub.com

On the Ridge of Going Gated

At The Ridge Above Rock Creek, everything is set for an ideal gated community — but only if the residents want the gate and its associated mindset.

With a log entrance, Rock Creek is not currently gated, but future homes in the subdivision are expected to range from $700,000 to $2 million.

"If the association wants to gate it, they can. It has the feel of a gated community because of the level of improvements. It's more of a feeling than a category. …This is the closest thing to a gated community that Missoula is ever going to see. They want the feel, but they don't necessarily want the gate," real-estate broker Katie Ward said.

The property's out-of-state developer, Lembco, LLC, has contracted Ward to sell the properties through her firm, Katie Ward & Associates, P.C. Lembco actively develops such communities in Montana, Washington, Oregon, and Nevada. When Lembco bought the land five years ago with plans to develop the 450-plus acres northeast of the Interstate 90 interchange at Rock Creek, locals voiced concerns over recreational access, environmental effects, and local school enrollment numbers.

Today, those questions seem to have been answered, and the development has moved forward to feature 20

building lots of one acre each, all placed along the paved roads in a circular fashion. "Each lot is basically turn-key, with everything someone could want — high-speed Internet, natural gas, phone, cable, fire hydrants, septic systems, wells, and/or the community water system," Ward described. The first owners have taken possession of a few lots, which range from $199,000 to $699,000.

With fencing prohibited, access to the mountainous terrain for walking and wildlife viewing is unobstructed, Ward said. Residents will share in the ownership of the 450 acres of common area maintained by the association. And covenant and architectural guidelines will limit the homes to log, rock, timber-frame, or regular-framed homes with those accents. "We're a mountain community, no clubhouse."

Whether they are designed to wholly exclude or selectively include, gated communities offer a defined lifestyle of privacy and security that is gaining popularity across Montana. The allure may speak more to out-of-state investors than native Montanans, but wealth is a common element.

Many sociologists say gated communities are elitist, and most criticism generally targets the wealthy out-of-staters. Yet buyers say security is a top concern, especially in retirement or seasonal housing. And spokesmen for the various Montana communities cite the same reasons for the gates: development control, security, and privacy. They seldom mention exclusivity.

Some see gated communities as a generational and economic polarization, between the young poor and the old rich. Others claim the trend is simply about "building neighborhoods."❑

Amy Joyner is a reporter with the Montana Business Quarterly.

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